

Message Text

LIMITED OFFICIAL USE

PAGE 01 BELGRA 04206 121140Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /087 W

----- 037657

R 120950Z AUG 75

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3816

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 4206

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: YUGOSLAV INVESTMENT RESTRAINTS

1. SUMMARY: NEW YUGOSLAV LEGISLATION, INCLUDING REQUIREMENT FOR TWO-YEAR DEPOSIT ON MOST NON-MANUFACTURING INVESTMENTS, INCREASES FEDERAL AUTHORITY TO HOLD CAPITAL EXPENDITURES TO MANAGEABLE AMOUNTS AND CHANNEL FUNDS INTO PRIORITY NEEDS. END SUMMARY.

2. YUGOSLAV GOVERNMENT HAS PUT INTO EFFECT LEGISLATION WHICH WILL CURB INVESTMENTS IN MOST ACTIVITIES EXCEPT MANUFACTURING. IN ADDITION TO SECURING SUFFICIENT INVESTMENT FUNDS FOR CAPITAL EXPENDITURES, OFFICIAL GAZETTE 34 OF JULY 25 ANNOUNCES, ANY INVESTOR WHO BEGINS A "NON-ECONOMIC" OR "NON-PRODUCING" PROJECT BEFORE DECEMBER 31, 1976, MUST LEAVE WITH THE NATIONAL BANK A TWO-YEAR (INTEREST-FREE) DEPOSIT EQUAL TO HALF THE REQUIRED EXPENDITURE.

3. NON-PRODUCING INVESTMENTS ARE DEFINED AS COMMERCIAL ACTIVITIES, DESIGNING ACTIVITIES, FILM PRODUCTION, BANKING, SOME FORMS OF INSUR-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BELGRA 04206 121140Z

ANCE, CONSTRUCTION OF ADMINISTRATIVE BUILDINGS, SOCIAL PROJECTS, AND

TRANSPORTATION PROJECTS AND FACILITIES.

4. THE DECREE PERMITS THE FEDERAL EXECUTIVE COUNCIL (FEC), IN AGREEMENT WITH REPUBLICAN AND PROVINCIAL AUTHORITIES, TO ESTABLISH CRITERIA FOR POSSIBLE EXCEPTIONS TO THE DEPOSIT REQUIREMENT. ANY ACTUAL EXCEPTION, HOWEVER, REQUIRES A SEPARATE FEC DECREE.

5. FUNDS REALIZED FROM INVESTMENT DEPOSITS WILL BE USED FOR CREDITS FOR PRIORITY "ECONOMIC" PROJECTS DESIGNATED BY REPUBLICS AND PROVINCES.

6. THE DEPOSIT REQUIREMENT FOLLOWS LEGISLATION ENACTED IN MID-JUNE ON SECURING PAYMENT FOR INVESTMENTS. THE JUNE LEGISLATION SHOULD ALSO RESTRAIN INVESTMENT. IN ADDITION TO COMBATTING ILLIQUIDITY, IT STRIKES AT INFORMAL CREDIT ARRANGEMENTS BETWEEN YUGOSLAV ENTERPRISES AND AT UNCOVERED INVESTMENTS. THE LEGISLATION PROHIBITS ENTERPRISES FROM PROCEEDING WITH AN INVESTMENT OF ANY TYPE UNTIL FEDERAL ACCOUNTANTS ARE SATISFIED AS TO THE TRUE COST AND THE AVAILABILITY OF DISPOSABLE RESOURCES OR FIRM CREDITS FOR THE PROJECT. IT ESTABLISHES ADMINISTRATIVE CONTROLS WHOSE PROCEDURAL COMPLICATIONS (WITH CRIMINAL PENALTIES FOR NON-COMPLIANCE) SHOULD IN THEMSELVES SLOW INVESTMENT DECISIONS.

7. COMMENT: THE RESTRAINTS ON INVESTMENT SHOW YUGOSLAV DETERMINATION TO KEEP THE ECONOMY IN ORDER AND, WHEN SELF-MANAGEMENT PROCEDURES ARE NOT UP TO THE JOB, TO EMPLOY APPROPRIATE LEGISLATIVE AND ADMINISTRATIVE RESTRICTIONS. DECENTRALIZATION AND COMPETITION BETWEEN REPUBLICS AND ENTERPRISES HAVE COMPLICATED EFFORTS TO REGULATE INVESTMENTS. THOUGH NEW LEGISLATION WILL OPERATE WITH A LAG, IT INCREASES FEDERAL AUTHORITY TO KEEP CAPITAL EXPENDITURES WITHIN MANAGEABLE AMOUNTS AND TO CHANNEL FUNDS INTO MOST IMPORTANT NEEDS. THERE WILL BE EXCEPTIONS TO THE DECREE ON DEPOSITS, SINCE IT IMPOSES THE REQUIREMENT ON SOME URGENT INFRASTRUCTURE NEEDS, BUT REPUBLICS CANNOT TAKE UNILATERAL ACTION. WE ANTICIPATE THAT (A) EXCEPTIONS WILL BE GRANTED SLOWLY AND RELUCTANTLY, (B) THE DEPOSIT REQUIREMENT WILL FORCE POSTPONEMENT OF MANY NON-ECONOMIC INVESTMENTS, AND (C) ADMINISTRATIVE CONTROLS MAY DELAY EVEN SOME IMPORTANT PROJECTS.

SILBERMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT LAW, INVESTMENT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BELGRA04206
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750278-0069
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750858/aaaabyqq.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by CunninFX>; APPROVED <06 OCT 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YUGOSLAV INVESTMENT RESTRAINTS
TAGS: ETRD, YO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006